BANK POLICY INSTITUTE

December 13, 2021

Via Electronic Mail

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: Report of Institution-to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510; OMB No. 7100–0376)

To Whom it May Concern:

The Bank Policy Institute[1] appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System to extend for three years the Report of Institution-to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510; OMB No. 7100–0376).[2] While we understand that the Federal Reserve is not proposing revisions to the FR 2510, we offer recommendations herein intended "to enhance the quality, utility, and clarity of the information collected " and "to minimize the burden of information collection on respondents,"[3] as requested by the notice. Specifically, our comments outline areas of the FR 2510 that would benefit from revisions to better align the report with the Country Exposure Report (FFIEC 009) and the Consolidated Financial Statements for Holding Companies (FR Y-9C).

I. Certain aspects of the FR 2510 should be revised to be more consistent with the FFIEC 009.

A. Consistency in timing of any clarifications or changes to the reporting instructions.

1 The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

2 86 Fed. Reg. 57672 (October 18, 2021).

3 Id.

Beginning with initial implementation of the FR 2510, the Federal Reserve stated that "the FR 2510 is intended to build on, and complement, the FFIEC 009."[4] Several of the data items collected by the FFIEC 009 and FR 2510 are similar, and in some instances the same, and therefore respondent firms use similar systems to pull the relevant data and use the same reporting processes to complete both reports when feasible. Given the complementary nature of the two reports, it would be beneficial for the relevant instructions for the FR 2510 to correspond to those for the same data items reported on the FFIEC 009. Additionally, future changes to or clarifications in the instructions for either of these reports should be proposed and effective on parallel timeframes given the synergy between the two reports. Varied implementation timelines for instructions pertaining to similar populations of data can create burden for firms by eliminating the potential for cross-report reconciliation and other efficiencies and by requiring separate processes and controls for the reporting of similar data.

B. The reporting of similar data items should be consistent.

Reporting similar data differently across reports, such as the FR 2510 and FFIEC 009, creates burden by eliminating efficiencies such as the potential for cross-report reconciliation. These differences in reporting not only establish a need for separate processes and controls for reporting similar populations of data, but also require additional systems builds to ensure firms follow proper change management protocols. Better alignment of the FR 2510 with the FFIEC 009 in line with the recommendations detailed below, would allow respondent firms to leverage existing data sourcing of the FFIEC 009 to accommodate the FR 2510 and to automate data pulls which will ultimately decrease reporting burden.

One inconsistency between the two reports is with respect to the reporting of remaining maturity. Currently, the reporting of remaining maturity of debt securities held for trading on the FFIEC 009 is limited to "remaining contractual maturity of one year or less,"[5] whereas firms are required to report remaining maturity across multiple buckets on the FR 2510. Specifically, Table 1 of the FR 2510 includes four buckets for remaining maturity: non-maturity instruments, overnight and less than 3 months, 3 months and less than a year, and 1 year and over and Table 2 includes three buckets: non-maturity instruments, less than a year, and 1 year and over. Using these categories of remaining maturity on the FR 2510 introduce the concept of non-maturity instruments, which is not currently present on the FFIEC 009. Further, the instructions to the FR 2510 allow respondents to use either the final contractual maturity or the next repricing date, where applicable, for remaining maturity. The FFIEC 009 does not afford respondents this option and requires firms to use the final contractual maturity. This difference between the two reports in the application of remaining maturity forces firms to maintain two separate processes for tracking the same population of data adding to the complexity and burden of reconciliation. We therefore recommend that the instructions and related data items for remaining maturity on the FR 2510, particularly with respect to trading debt-securities, be revised to be consistent with that of the FFIEC 009.[6]

Another area of inconsistency between the FR 2510 and the FFIEC 009 is with respect to the sector utilized for the reporting of Central Bank exposures. On the FR 2510, claims on Central Banks are

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4 *See* Federal Reserve, *Supporting Statement for the Report of Institution-to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510; OMB No. 7100-NEW)* (April 29, 2019).

5 FFIEC, *Instructions for the Preparation of Country Exposure Report, Reporting Form FFIEC 009*, at page O-I, *available at* https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC009_201909_i.pdf.

6 If our recommendation of alignment with the FFIEC 009 is not accepted, at a minimum, the number of remaining maturity buckets in Tables 1 and 2 of the FR 2510 should be made consistent.

to be reported in the "Unallocated" sector, which is designated for any positions for which the sector of the counterparty is unknown or the sector information does not need to be reported. However, the reporting instructions to the FFIEC 009 require respondents to include Central Banks in the "Public" sector, which includes government departments and agencies. The requirement to report Central Bank exposures as "Unallocated" on the FR 2510 creates inefficiencies for respondent firms who use similar reporting systems for the two reports as it differs greatly from the FFIEC 009. Aligning the treatment of these exposures would allow respondent firms to leverage similar operational and reporting processes and would make cross-report reconciliation more efficient. We therefore recommend that the FR 2510 instructions be revised so that respondent firms report Central Bank claims in the "Government" sector, to be consistent with FFIEC 009 reporting of similar exposures.

A further opportunity for alignment of the FR 2510 with the FFIEC 009 exists with respect to rounding differences in the report submissions through Reporting Central. Currently, Reporting Central will accept rounding differences of up to $2 million for the FFIEC 009, whereas no such allowance is permitted for the FR 2510. In the absence of a threshold for rounding differences, FR 2510 reporting is more cumbersome and takes significantly more time than the FFIEC 009 to complete. Further, varied allowances for rounding differences across reports for similar data adds significant burden for respondents by making reconciliation more challenging. In order to lessen burden for respondents and increase the consistency in reported data, we recommend that rounding differences of up to $2 million, consistent with the FFIEC 009, be permitted on the FR 2510.

II. The debt security categories in Line Item 5 of Schedule I-A IC of the FR 2510 should be revised to be more consistent with those of Schedules HC-B and HC-D of the FR Y-9C.

In addition to building on and complementing the FFIEC 009, the FR 2510 is also described by the Federal Reserve as being a complement to the FR Y-9C.[7] However, the inconsistencies between the two reports that create challenges for respondent banks, particularly with respect to cross-report reconciliation, and ultimately lead to increased reporting burden. One such example is the reporting treatment of debt securities. Currently the reporting instructions to Schedule I-A IC of the FR 2510 require firms to break down debt securities into three segments: Asset-backed securities (ABS), Other secured debt securities, and unsecured debt securities. This segmentation is in stark contrast to other reports and particularly the FR Y-9C, which requires respondents to break down securities in Schedule HC-B and HC-D into the following categories: U.S. Treasury securities, U.S. government agency and sponsored agency obligations, Securities issued by states and political subdivisions in the U.S., Mortgage-back securities (MBS), Asset-backed securities and structured financial products, and Other debt securities. These six debt security categories on the FR Y-9C capture the common instrument type classification seen in other reporting. However, the "other secured" and "unsecured" classifications of debt securities that are required on FR 2510 do not exist on the FR Y-9C and there are not comparable segmentations available. These unique classifications of the FR 2510, particularly the "other secured" debt securities, require firms to look through and track features of securities that are not captured on other reports in great detail, creating significant burden. Additionally, this difference in classification limits firms' ability to use a single process for the same population of data, further eliminating potential efficiencies and thus also increasing burden.

For these reasons, we recommend that Line Item 5 "Debt Securities" of the FR 2510 be revised such that the classification of debt securities mimics that of the FR Y-9C in Schedules HC-B and HC-D. Better alignment of the debt security categories of the FR 2510 with those of FR Y-9C would provide the

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[7] *See* Federal Reserve, *Supporting Statement for the Report of Institution-to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510; OMB No. 7100-NEW)* (April 29, 2019).

Federal Reserve with the pertinent data on the different types of collateral while allowing for more streamlined data collection and data submission internally within operations at firms to accommodate reporting and fewer reporting processes for a single data population, therefore reducing reporting burden for respondent firms significantly.

III. The effective date of any changes to the FR 2510 should provide respondents with at least two full quarters following release of final forms and instructions.

While the recommendations outlined above in Sections I and II would help reduce reporting burden of the FR 2510, as with any reporting revisions, firms will require time to make the systems changes necessary for implementation. Therefore, to the extent that any revisions are made to the FR 2510, including any changes in line with the recommendations discussed in this letter, firms would require at least two full quarters for implementation following the release of final reporting forms and instructions to comply with the relevant reporting changes.

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The Bank Policy Institute appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at or by email at Alix.Roberts@bpi.com.

Respectfully submitted,

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